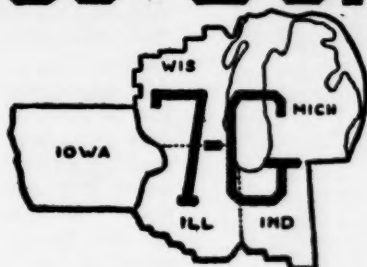


BUSINESS CONDITIONS

SEVENTH
FEDERAL



RESERVE
DISTRICT

Volume 14, No. 10

MONTHLY REVIEW PUBLISHED BY THE
FEDERAL RESERVE BANK OF CHICAGO

September 30, 1931

General Summary

INDICATIONS of improvement are still lacking in business statistics for the Seventh district. August data on manufacture and distribution continued for the most part to reflect declines, and expansion, where shown, was of a seasonal nature and failed to equal the average for other years. The current low level of commodity stocks, however, constitutes a potentially favorable factor.

Steel mills were operating during August at less than one-third of capacity, while pig iron output was reduced to a new low point. Activity at casting foundries likewise declined further. Automobile production and furniture shipments were less, contrary to seasonal trend. Shoe production, on the other hand, expanded more than usual for August and exceeded that of a year ago. Building construction, as evidenced by contracts awarded, increased, but the letting of the contract for the new Chicago post office was largely influential in effecting the gain shown.

Wholesale trade in most reporting groups followed a downward trend in August, the increases in dry goods and shoe sales being seasonal in nature and less than average for the period. Department store trade gained over July but also failed to expand as much as usual, which was likewise the case in sales of furniture and house furnishings. The retail shoe trade experienced a slight decline from the preceding month. Automobile distribution, at wholesale and retail, fell off sharply in August.

Estimates of corn production and of the potato and bean crops were reduced between the first of August and the end of the month, owing to the dry, hot weather during the month. Recent rains, however, have aided fall plowing and have been beneficial to pastures. Fruit crops have been harvested in abundance. Weakness in wheat

markets deterred the movement of that grain in August, and the movement of corn declined, while that of oats increased. Production of meat and of butter fell off seasonally, and cheese manufacture was less than a month previous. Sales of meat-packing products about equaled those of July, but distribution of butter and cheese totaled smaller.

Loans and investments of reporting member banks in the district continued a downward trend between the middle of August and the corresponding date in September, with investments, however, remaining above the 1930 level. Deposits, both demand and time, declined during the period and were below a year ago. Heavy demand for currency effected a larger volume of borrowing at the Reserve bank. Dealer sales of commercial paper were small in August but acceptance financing at banks increased. Bond and stock markets displayed weakness during the month.

Credit Conditions and Money Rates

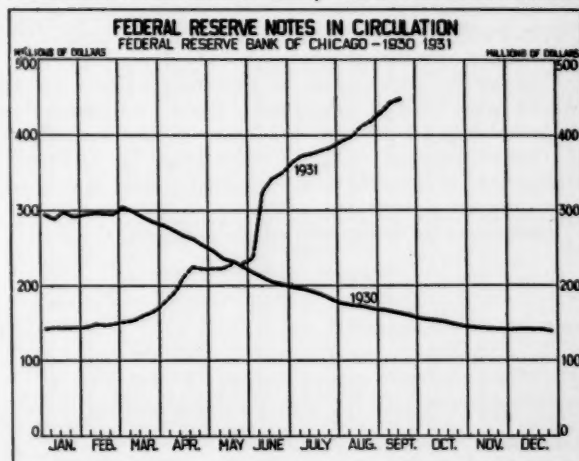
Largely the result of continued demand for currency, member bank borrowing at the Reserve bank increased about 11 million dollars during the period August 12 to September 16. It will be noted on the table (page 2) which sets forth the changes in factors in member bank borrowing, that, among those making for heavier volume of recourse to the Reserve bank, in addition to the increase

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions of dollars)

	Sept. 16 1931	CHANGE FROM Aug. 12 1931	Sept. 17 1930
Total Bills and Securities.....	\$150.2	\$+26.4	\$+35.7
Bills Discounted.....	25.6	+10.8	+14.5
Bills Bought.....	26.5	+13.3	+5.3
U. S. Government Securities.....	96.3	+1.0	+14.1
Total Reserves.....	691.0	+14.3	+248.1
Total Deposits.....	358.3	-7.2	+0.5
Federal Reserve Notes in Circulation.....	447.0	+49.3	+284.8
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined.....	85.7	-2.9*	+0.6*

*Number of Points.



in currency demand, a 23 million dollar loss of funds to the district occurred in the period through inter-district settlements for commercial and financial transactions. An excess of more than 45 millions of local Treasury expenditures over receipts and a decrease of about 7 millions in member bank reserve balances were the principal items partially offsetting the foregoing group of changes.

FACTORS IN MEMBER BANK BORROWING AT THE FEDERAL RESERVE BANK OF CHICAGO

Changes between August 12 and September 16, 1931 (In millions of dollars)	
Changes making for increase in member bank borrowing:	
1. Increase in demand for currency.....	40.58
2. Funds lost through inter-district settlements for commercial and financial transactions.....	23.75
3. Increase in non-member clearing balances.....	0.52
4. Decrease in holdings of acceptances (local transactions)....	0.32
5. Sales of gold to industry.....	0.10
Total.....	65.27
Changes making for decrease in member bank borrowing:	
1. Excess of local Treasury expenditures over receipts.....	45.17
2. Decrease in member bank reserve balances.....	7.40
3. Increase in holdings of other securities.....	1.34
4. Increase in reserve bank float.....	0.39
5. Decrease in unexpended capital funds.....	0.18
Total.....	54.48
Excess of changes making for increase in member bank borrowing:	10.79
Absorption of this excess: Increase in member bank borrowings (discounts for member banks).....	10.79

MEMBER BANK CREDIT

Reporting member banks in the district on September 16 reported total loans and investments as some 60 million dollars below the corresponding figure of August 12, and more than 300 millions less than on September 17, 1930, reflecting declines in the volume of loans on securities, and to a lesser degree, in "all other" (commercial) loans; investments alone, while recording a drop of about 41 millions on September 16 from August 12, were about 120 million dollars above the aggregate reported a year ago. Net demand and time deposits on September 16 showed declines from August 12 and from the corresponding reporting date a year ago.

The prevailing rate on customers' commercial loans as reported by Chicago down-town banks during the week ended September 15 was $2\frac{1}{2}$ to $5\frac{1}{2}$ per cent, whereas the range reported in mid-August was $2\frac{3}{4}$ to $5\frac{1}{2}$ per cent. The average rate earned on loans and discounts during the calendar month of August was 4.27 per cent, as against 4.42 per cent in July and 4.76 per cent in August 1930. In Detroit, the prevailing rate during the week ended September 15 was $4\frac{1}{2}$ to 5 per cent, and the average rate earned during August was 5.07 per cent, a drop of two points from the 5.09 reported in July; in August 1930 the average rate earned was given as 5.70 per cent.

Commercial paper sales of reporting dealers in the Middle West were in exceptionally limited volume during August, being 10 per cent less than in July and 60 per cent below last year or the 1923-30 average for the month. Demand, after showing increased activity early in August,

became spotty and was principally confined to prime paper; supplies were light. August quotations ruled from $2\frac{1}{2}$ per cent for high to $1\frac{3}{4}$ and 2 per cent for low, with most sales transacted at 2 to $2\frac{1}{4}$ per cent. In a few instances, however, 3 per cent was given as the high rate. Outstandings of commercial paper in the Middle West declined $3\frac{1}{2}$ per cent from the previous low point on July 31, aggregating 50 per cent less than a year ago and 60 per cent under the usual August 31 level. Sales during the first half of September totaled only half as great as for the corresponding weeks of a month earlier, owing to a limited supply of paper and a moderate demand. Rates ranged on September 15 from $1\frac{3}{4}$ and 2 per cent for low to $2\frac{1}{2}$ per cent for high; most paper moved at 2 per cent.

Local purchases of bills by dealers in Chicago were smaller in the aggregate from August 13 to September 9 than for any corresponding four weeks since the autumn of 1925, owing to the fact that open-market offerings of accepting banks in the city were in extremely limited proportions during the entire period. There also was a marked reduction from a month earlier in receipts from Eastern markets, so that the total supply of bills available for distribution by dealers was only one-fourth as great as from July 16 to August 12 and was one-half of that a year ago. Sales to both local and out-of-town banks, as a consequence of this reduction in the supply, fell off sharply from the preceding period, reaching the lowest level on record (January 1923). Rates remained steady. Holdings were less than usual for this season of the year.

AVERAGE WEEKLY TRANSACTIONS OF REPORTING DEALERS IN THE CHICAGO BILL MARKET

August 13 to September 9, 1931 PER CENT CHANGE IN COMPARISON WITH PERIOD FROM JULY 16 TO AUGUST 12 AUGUST 14 TO SEPT. 10		
	1931	1930
Bills purchased.....	-62.5	-76.7
Bills sold.....	-90.0	-62.3
Holdings*.....	-49.7	+41.1

*At end of period.

New financing by means of bankers' acceptances showed an expansion in the Seventh Federal Reserve district of 42 per cent in August over July and remained at a considerably higher level than the 1923-28 average for the month, though continuing to total less than in 1929 or 1930. The discounting of these bills, by original banks of acceptance, exceeded that of any previous month since March and absorbed more than 70 per cent of the offerings. Purchases of other bankers' acceptances totaled much larger than in any of the preceding three months and were heavier than usual at this season. Sales remained in small proportions, inasmuch as most banks continued the practice of retaining a major portion of offerings for their own investment. Portfolios of accepting banks, as a reflection of this policy, were further enlarged on August 31 to the highest point on record (January 1923). The liability of Seventh district banks for outstanding acceptances again decreased, owing to the large

CONDITION OF REPORTING MEMBER BANKS, SEVENTH DISTRICT

(Amounts in millions of dollars)		CHANGE FROM	
	SEPT. 16 1931	AUG. 12 1931	SEPT. 17 1930
Total Loans and Investments.....	\$3,061	\$-61	\$-338
Loans on Securities.....	1,038	-20	-296
All other Loans.....	1,131	0	-165
Investments.....	892	-41	+123
Net Demand Deposits.....	1,747	-30	-171
Time Deposits.....	1,178	-64	-158
Borrowings from Federal Reserve Bank.....	10	+7	+9

VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT

(Amounts in millions of dollars)		PER CENT OF INCREASE OR DECREASE FROM	
	AUG. 1931	JULY 1931	AUG. 1930
Chicago.....	\$2,734	-11.5	-22.8
Detroit, Milwaukee, and Indianapolis....	1,065	-8.3	-26.0
Total four larger cities.....	\$3,799	-10.6	-23.7
34 smaller centers.....	690	-11.6	-21.6
Total 38 centers.....	\$4,489	-10.8	-23.4

number of bills maturing in August. Bills accepted during the first half of September aggregated one-fifth less in value than a month earlier. Financing decreased for grain, sugar, machinery, general merchandise, aluminum, and numerous other commodities but increased for iron ore, iron and steel, creosote oil, canned goods, and a few miscellaneous items.

TRANSACTIONS IN BANKERS' ACCEPTANCES AS REPORTED BY A SELECTED LIST OF ACCEPTING BANKS IN THE SEVENTH DISTRICT

	PER CENT CHANGE IN AUGUST 1931 FROM JULY 1931	AUGUST 1930
Total value of bills accepted.....	+41.9	-35.8
Purchases.....	+51.1	+15.3
Sales.....	+58.7	-73.5
Holdings*.....	+87.0	+274.6
Liability for outstandings*.....	-13.2	-37.8

*At end of month.

SECURITY MARKETS

A slackening in demand, with prices as a whole showing a downward trend, featured the Chicago bond market during the greater part of August. The slight recovery evidenced during the latter part of the month was followed by further declines in the first week of September. While investment preference continues to favor the very high grade issues, the market in general has lacked the strength displayed earlier in the year. The issues in greatest demand during August included high grade public utilities, first grade rails, and municipals. Because of the weak price tendency and light demand except in the high grade divisions, few new issues were offered, and the volume totaled materially below previous months. Individual investing is still negligible, practically all demand arising from institutional groups. Prices on the Chicago Stock Exchange have moved steadily downward since the middle of August. On September 16, the average price of twenty leading stocks* dropped to \$56.58, which compares with an average price of \$73.50 on August 15.

* Chicago Journal of Commerce.

Agricultural Products

The Government estimate of 1931 corn production in the Seventh Federal Reserve district was reduced 100 million bushels on September 1 from the beginning of July, deterioration causing a further decline in total yields during August of 23 million bushels in Iowa, 11 million bushels in Wisconsin, and of 4 million bushels in Michigan. Damage to the crop, however, was considerably less extensive than evidenced between corresponding dates of 1930 when it became necessary to decrease the forecasts by some 280 million bushels. The outlook for potatoes also was less favorable on September 1 than a month earlier; prospects for the Seventh district crop of beans declined more than 20 per cent from August 1, owing to a continuance of drought conditions in the intensive production areas of Michigan. Corn ripened rapidly, so that more than three-fourths of the crop had reached maturity by September 15; in Iowa, however, a considerable amount of the corn dried prematurely because of heat and lack of rainfall. Weather conditions were favorable after the third week in September, and there was ample moisture for growing vegetation in most parts of the district. Pastures revived following the autumn rains, and considerable progress was made in fall plowing. Silo filling had made excellent progress by that time and corn cutting had begun; the harvesting of other autumn crops was well under way. An abundance of fruit is being gathered.

Farmers express intentions of planting a much smaller acreage to winter wheat this fall than in 1930.

GRAIN MARKETING

Continued weakness was exhibited in wheat markets during August, notwithstanding some reduction in estimates of this year's world crop and next year's sowings, and checked the movement of wheat at primary centers, receipts declining more than one-third from the record figure of July and constituting the smallest volume for August in six years; shipments were correspondingly less. Pressure of Russian and other sellers on the European market reacted on exports from this country, which totaled about one-half the July volume and only one-third that in August 1930. The United States visible supply, despite the smaller receipts, rose steadily to over 235 million bushels on September 5, with a slight decline shown in the succeeding week.

September and December wheat futures made new lows after September 1, followed by only slight recovery before the middle of the month. Cash wheat averaged lower than in July, but after August 12 sold at a premium over the September future.

The movement of corn and oats conformed to the usual August trend, corn receipts and shipments being smaller than either last month, a year ago, or the five-year average for August, while oats moved in larger volume than in July but declined in the other comparisons. The visible supply of corn continued greatly in excess of 1930 and oats stocks are considerably less than a year ago. Futures in both grains declined to new lows in the latter part of August. Cash corn fell sharply during the first three weeks of August, afterwards recovering moderately, but oats were steady at about the level of the end of July.

MOVEMENT OF LIVE STOCK

Receipts of cattle, calves, and lambs at public stock yards in the United States increased by more than a sea-

CROP PRODUCTION

Estimated by the United States Bureau of Agricultural Economics on the basis of September 1 condition

	SEVENTH DISTRICT		UNITED STATES		1925-29 AVERAGE
	FORECAST 1931	FINAL 1930	FORECAST 1931	FINAL 1930	
Corn.....	906,012	731,749	2,715,357	2,093,552	2,760,753
Oats.....	471,864	565,861	1,160,877	1,358,052	1,316,954
Winter Wheat..	74,680	59,447	775,180	612,268	547,427
Spring Wheat..	3,224	4,290	110,463	251,162	274,688
Barley.....	47,073(a)	56,799(a)	212,391	334,971	265,006
Rye.....	8,750(a)	8,248(a)	36,233	48,149	46,129
Buckwheat.....	844(a)	654(a)	10,611	7,948	13,409
Flaxseed.....	190(b)	348(b)	11,769	21,369	20,917
Potatoes (white)	42,772	37,118	361,036	343,236	380,502
Potatoes (sweet)	1,291(c)	1,050(c)	83,949	62,230	80,263
Sugar Beets*...	412(d)	513(d)	7,130	9,201	7,355
Apples (total crop)...	28,408(a)	13,595(a)	222,962	163,543	174,474
Peaches.....	7,323(e)	648(e)	77,722	53,617	55,210
Pears.....	1,847(e)	1,289(e)	24,114	27,577	22,123
Cranberries***	36(f)	40(f)	628	561	581
Grapes*.....	75(a)	91(a)	1,653	2,460	2,403
Dry Beans.....	5,939(i)	4,662(i)	18,725	21,907	18,432
Tobacco**.....	47,424	52,685	1,648,000	1,641,437	1,337,130
All Tame Hay*	14,386	15,881	77,859	77,850	94,364
Canning Crops					
Tomatoes*...	308(e)	462(e)	1,172	1,816	1,255
Sweet Corn*...	365(a)	346(a)	732	661	708
Snap Beans*...	13(g)	15(g)	71	85	63
Green Peas*...	77(j)	147(j)	146	242	196
Cucumber					
Pickles... ..	2,583(a)	3,734(a)	5,654	7,596	
Broom Corn*...	8½(h)	7½(h)	48	50	45
Cabbage*.....	178(a)	268(a)	1,073	1,022	
Onions.....	3,904(a)	7,508(a)	18,681	26,187	
Tomatoes for Table.....	1,335(c)	1,014(c)	18,441	17,130	

*In thousands of tons. **In thousands of pounds. ***In thousands of barrels. (a) Five states including the Seventh Federal Reserve District. (b) Iowa and Wisconsin. (c) Illinois, Indiana and Iowa. (d) Michigan. (e) Illinois, Michigan, Indiana and Iowa. (f) Wisconsin. (g) Wisconsin, Michigan and Indiana. (h) Illinois. (i) Michigan and Wisconsin. (j) Wisconsin, Illinois, Indiana and Michigan.

sonal amount in August over the preceding month, largely reflecting an early movement of live stock from Western ranges because of drought conditions prevailing in those areas. Hog marketing showed less than the usual recession in volume from July, owing to a tendency to place fairly liberal numbers of spring shoats on the market in an unfinished condition. Cattle receipts considerably exceeded those of August 1929 or 1930, but were $7\frac{1}{2}$ per cent below the ten-year average for the month; hog marketings continued to total smaller in all three comparisons, while those of lambs remained at a much higher level than in recent years. Reshipments to feed lots showed a marked increase over July; the movement of feeder cattle fell somewhat under the five-year average for August, but that of lambs was exceptionally large for late summer.

MEAT PACKING

Production at slaughtering establishments in the United States decreased as is usual in August from a month earlier but totaled only one per cent less than in the same period of 1930, although it fell 6 per cent below the 1921-30 average for the month. Employment in this industry was one-half of one per cent greater at the close of the period than in July, and there was an increase of $1\frac{1}{2}$ per cent in hours worked and of a like amount in payrolls. The total value of August sales billed to domestic and foreign customers about equaled that of July and continued to record a recession of more than 20 per cent from last year. Practically all of this decrease was attributable to the low level of prices in 1931 as compared with 1930. Quotations for most pork, lard, lamb, and mutton declined in August from the preceding month, while the prices of pork loins, beef, and veal advanced. Inventories were again reduced by more than a seasonal amount on September 1 and remained considerably below the 1926-30 average. Stocks of dry salt pork, frozen pork, and lard continued in excess of a year ago. Domestic trade averaged fair at the beginning of September.

Shipments for export totaled heavier in August than in July; a fairly substantial supply of lard was forwarded to Europe on consignment terms, in anticipation of the autumn trade. A slight betterment in the demand for American lard and meats was experienced in the United Kingdom and also on the Continent, despite competition on the part of European producers. A moderate revival of German trade with the United States, which had been almost negligible in these commodities for several months, was especially encouraging. Prices abroad averaged rather close to Chicago parity.

DAIRY PRODUCTS

Creameries in the Seventh Federal Reserve district recorded little change in August production of butter from

LIVE STOCK SLAUGHTER (In thousands)

	CATTLE	HOGS	LAMBS AND SHEEP	CALVES
Yards in Seventh District, August 1931.....	210	516	389	85
Federally Inspected Slaughter, United States				
August 1931.....	727	2,500	1,598	357
July 1931.....	706	2,767	1,491	356
August 1930.....	700	2,724	1,413	363

AVERAGE PRICES OF LIVE STOCK

(Per hundred pounds at Chicago)

	WEEK ENDED SEPT. 19	AUG. 1931	MONTHS OF JULY 1931	AUG. 1930
Native Beef Steers (average)....	\$7.80	\$8.50	\$7.80	\$9.55
Fat Cows and Heifers.....	5.20	6.15	6.05	7.20
Calves.....	8.50	8.75	8.00	11.95
Hogs (bulk of sales).....	5.35	6.05	6.30	9.60
Yearling Sheep.....	5.00	5.30	5.50	7.05
Lambs.....	5.85	6.55	7.05	9.05

that of a year ago; they continued, however, to operate below the 1923-30 average for the month, although the 10 per cent decline in volume from July was somewhat less than usual at this season. The tonnage billed to customers fell off 4 per cent from a month earlier but slightly exceeded the August average. Butter manufacturing in the United States as a whole appears to have been lower in both comparisons. Consumption remained heavy despite a sharp advance in prices. United States stocks of the commodity declined $10\frac{1}{2}$ million pounds during August, whereas they normally show an increase of more than 11 million pounds on September 1 over the preceding month. Inventories aggregated 38 million pounds less than a year ago and 45 million pounds below the 1926-30 September 1 average.

Factories in Wisconsin reduced the production of American cheese 19 per cent during the four weeks ended August 29 from the preceding period and $4\frac{1}{2}$ per cent from last year. Distribution of the commodity from primary markets of that state exceeded current production by 2 million pounds, but was one per cent smaller than from July 6 to August 1 and 10 per cent under the corresponding weeks of 1930. Total holdings of cheese in the United States increased less than the usual amount on September 1 and remained much smaller than a year ago or the 1926-30 average for that date. Prices rose rather sharply during August.

Industrial Employment Conditions

Further losses during August in Seventh district industrial employment and earnings were indicated by reports from 2,758 establishments. In several groups and in the totals the decline in payrolls was less than in number of workers, indicating that lay-offs were more prevalent than reductions in operating schedules. The metal, machinery, and automobile industries continued to curtail their operations, although payrolls at automobile plants remained practically unchanged. Food products, after three consecutive monthly gains, showed a substantial seasonal loss, and the chemicals, wood, and stone, clay and glass products groups had further moderate reductions. Three groups recorded gains in both men and payrolls: the leather products group which has followed an upward

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

INDUSTRIAL GROUP	WEEK OF AUGUST 15, 1931			CHANGES FROM JULY 15	
	REPORT- ING FIRMS NO.	WAGE EARNERS NO.	EARNINGS (000 OMITTED) \$	WAGE EARN- ERS %	EARN- INGS %
Metals and Products ¹	680	151,817	3,324	-4.8	-2.0
Vehicles.....	151	180,393	4,309	-4.6	-0.1
Textiles and Products.....	154	30,618	591	+0.6	+3.6
Food and Products.....	369	58,515	1,378	-4.8	-4.4
Stone, Clay and Glass.....	145	10,265	236	-0.2	-6.8
Wood Products.....	301	27,644	486	-1.6	-1.6
Chemical Products.....	99	13,323	350	-2.3	-4.6
Leather Products.....	77	17,535	339	+2.6	+9.1
Rubber Products ²	9	5,010	119	+4.4	-3.6
Paper and Printing.....	322	46,501	1,294	+2.0	+2.2
Total Mfg., 10 Groups....	2,307	541,621	12,426	-3.3	-0.8
Merchandising ³	178	24,449	649	-0.4	-2.3
Public Utilities.....	72	90,670	2,987	-2.0	-1.6
Coal Mining.....	19	2,785	56	-35.2	-34.6
Construction.....	182	10,528	280	+1.2	+1.9
Total Non-Mfg., 4 Groups.	451	128,432	3,972	-2.5	-2.2
Total, 14 Groups.....	2,758	670,053	16,398	-3.1	-1.2

¹ Other than Vehicles. ² Michigan and Wisconsin. ³ Illinois and Wisconsin.

trend during most of this year, and the paper and printing and textile groups. Rubber products recovered somewhat from its sharp decline during July in number employed but showed a further reduction in total payrolls.

The recession in non-manufacturing totals was caused by small losses in the utilities and in merchandising together with a sharp decline, contrary to the usual August trend, in coal mining. Construction work recovered part of the losses recorded in the preceding month.

A more than seasonal increase in the farm labor surplus was reported by the Department of Agriculture during the two months prior to September 1—for the country as a whole and for the five states of this district. In comparison with a year ago, the North Central states, which include the Seventh district, had an 8 per cent increase in supply accompanied by a 14 per cent loss in demand, causing a rise in the ratio of supply to demand to 184 on September 1 from 148 on the same date of 1930. Free employment offices in Illinois, Indiana, and Iowa reported lower ratios of applicants to jobs available than in July, but a lessened demand for workers at offices in Wisconsin caused a considerable increase in the ratio for that state and a smaller rise for the four states combined.

REGISTRATIONS PER 100 POSITIONS AVAILABLE AT FREE EMPLOYMENT OFFICES

MONTH	ILLINOIS	INDIANA	IOWA	WISCONSIN	FOUR STATES
1931 August.....	244	139	447	199	247
July.....	250	160	459	186	239
1930 August.....	234	161	263	162	209
July.....	262	168	258	150	223

Manufacturing

AUTOMOBILE PRODUCTION AND DISTRIBUTION

A further moderate recession took place during August in automobile production. The decline of 16 per cent from the preceding month in passenger car output, which totaled 155,321 for the country, was contrary to seasonal trend, but compared with a 17 per cent recession in the same period of 1930. Production aggregated 15 per cent below August last year. Truck output of 31,772 followed a trend similar to that of passenger cars, declining 7 per cent from July and 22 per cent from a year ago.

A sharp decrease was recorded between July and August in midwest distribution of automobiles, in contrast to a gain shown during the same period of 1930, so that sales aggregated far below a year ago. Sales of used cars declined to a lesser extent than did those of new cars. Stocks of new cars on hand the end of August totaled somewhat larger than a month previous, although the majority of dealers continued to report reductions. The

MIDWEST DISTRIBUTION OF AUTOMOBILES Changes in August 1931 from Previous Months

	PER CENT CHANGE FROM		COMPANIES INCLUDED
	JULY 1931	AUGUST 1930	
New Cars			
Wholesale—			
Number Sold.....	-27.5	-41.9	21
Value.....	-28.0	-50.6	21
Retail—			
Number Sold.....	-30.5	-34.7	49
Value.....	-33.4	-45.3	49
On Hand August 31—			
Number.....	+6.0	-21.7	51
Value.....	+3.3	-21.7	51
Used Cars			
Number Sold.....	-14.0	-23.2	51
Salable on Hand—			
Number.....	-4.2	-23.2	51
Value.....	+0.1	-17.7	51

ratio of 46 per cent of deferred payment sales to total retail sales of thirty-one dealers compared with 47 per cent in July and 42 per cent for last August.

IRON AND STEEL PRODUCTS

Chicago district steel mills continued during August to operate at a low rate, ingot output, with slight variations, remaining at approximately 30 per cent of capacity. Pig iron production in Illinois and Indiana dropped to the lowest point on our records (since January 1923). August prices of finished steel maintained previous levels, and those of scrap iron and steel showed little change.

Activity at steel and malleable casting foundries of the Seventh district continued to trend downward in August. Following the expansion shown in July, orders booked by malleable casting foundries fell off sharply, while bookings of steel castings gained very slightly in tonnage over July, though declining in value; shipments and production of both steel and malleable castings totaled less than a month previous, with output of steel castings only about one-third that of a year ago. The increase of 26 per cent over July in August shipments of stove and furnace manufacturers reporting to this bank compared with an average expansion of 40 per cent for the period, and output totaled one-fifth smaller than for last August; orders booked were seasonally larger by 20 per cent, but somewhat under those of the same period last year; production declined in both comparisons.

FURNITURE

In line with the usual trend in orders during the second month following the midsummer showing of furniture—held a month earlier this year—orders booked by reporting furniture manufacturers in this district increased 19 per cent in August over a month previous, which compares with a gain of 27 per cent during the corresponding period a year ago, namely, September over August. August shipments, owing to the low volume of orders booked in July, declined 2 per cent in the month-to-month comparison, in contrast to an increase of 18 per cent in September shipments over those of August last year; and unfilled orders, though increasing moderately over those of a month previous, stood at the close of August in a slightly lower ratio to current orders booked, being 98 per cent thereof as compared with 106 per cent at the end of July. August orders and shipments as against those of September a year ago, decreased 36 and 45 per cent, respectively, whereas in the comparison with August last year, orders were off 19 per cent and shipments 35 per cent. The rate of operations maintained during the current month averaged 44 per cent of capacity, comparing with a rate of 42

WHOLESALE AND RETAIL LUMBER TRADE

CLASS OF TRADE	AUGUST 1931: PER CENT CHANGE FROM		NUMBER OF FIRMS OR YARDS
	JULY 1931	AUGUST 1930	
Wholesale Trade:			
Sales in Dollars.....	+4.8	-34.4	13
Sales in Board Feet.....	+9.4	-20.5	11
Accounts Outstanding ¹	-2.7	-27.1	8
Retail Trade:			
Sales in Dollars.....	+2.2	-33.8	231
Sales in Board Feet.....	-5.4	-29.1	91
Accounts Outstanding ¹	+1.9	-15.2	222
Ratio of accounts outstanding ¹ to dollar sales during month			
	AUGUST 1931	JULY 1931	AUGUST 1930
Wholesale Trade.....	167.0	196.3	149.7
Retail Trade.....	376.4	383.7	297.5

¹End of Month.

per cent for the preceding month and with 53 per cent a year ago.

SHOE MANUFACTURING, TANNING, AND HIDES

Shoe production in the Seventh Federal Reserve district continued to lag behind that of the United States in the comparison with earlier years, although the seasonal expansion of 19 per cent in August over July was greater than evidenced in the country as a whole. Operations in this district fell 13 per cent below the usual August level and exceeded a year ago by 8 per cent. Leather tanning and dollar sales increased somewhat over the preceding month but continued less than in 1930. A number of the individual tanneries, however, reported a gain in the latter comparison. Prices held fairly steady.

The Chicago market for packer green hides and calf skins, after having been exceptionally quiet during the entire month of August, showed much greater activity early in September. Prices declined.

Building Material, Construction Work

Activity in Seventh district building material lines was characterized during August by no significant change from the trend of recent months, and dealers have found no occasion to expand their limited stocks. Wholesale lumber business increased moderately over July, comparing favorably with a small decline recorded in the same period of 1930 and gains in the three preceding years.

Sales of all materials by retailers gained less than seasonally, totaling one-third less than in August 1930, and both dollar value and board foot sales of firms reporting lumber business only were lower than in July. Substantial collections reduced the ratios of accounts outstanding to dollar sales for both wholesalers and retailers at the end of August compared with a month earlier, but in each case the ratio continued considerably higher than a year ago.

Prices of brick and cement were somewhat lower at the end of August and demand remained restricted, except for the fair volume of materials required for road construction in this section. Cement shipments from midwestern mills again totaled larger than in the preceding month, contrary to the trend for the entire country, while production declined from July. Stocks of these mills continued smaller than a year ago, though about one-third larger than the five-year average for August.

BUILDING CONSTRUCTION

For the second successive month a gain in total building contracts awarded in the Seventh Federal Reserve district has been recorded. The volume during August, however, was increased greatly by the large single contract for the new Chicago post office. Residential contracts, though comprising only a small part of the total, likewise registered a gain in August over the July figure which was the lowest recorded this year.

WHOLESALE TRADE IN AUGUST 1931

COMMODITY	PER CENT CHANGE FROM SAME MONTH LAST YEAR				RATIO OF ACCTS. OUTSTANDING TO NET SALES
	NET SALES	STOCKS	ACCTS. OUTSTAND.	COLLEC- TIONS	
Groceries.....	-11.9	+0.4	-2.8	-12.5	92.9
Hardware.....	-23.6	-13.8	-12.1	-22.4	289.2
Dry Goods.....	-28.0	-29.8	-32.7	-25.8	348.7
Drugs.....	-15.0	-13.3	-0.8	-9.4	185.3
Shoes.....	-34.0	-15.8	-16.2	-39.9	407.0
Electrical Supplies.....	-35.7	-11.9	-25.1	-33.6	184.5

BUILDING CONTRACTS AWARDED* SEVENTH FEDERAL RESERVE DISTRICT

PERIOD	TOTAL CONTRACTS	RESIDENTIAL CONTRACTS
August 1931.....	\$43,855,155	\$7,822,906
Change from July 1931.....	+9%	+36%
Change from August 1930.....	-25%	-27%
First eight months of 1931.....	\$339,294,798	\$68,778,201
Change from same period 1930.....	-36%	-40%

*Data furnished by F. W. Dodge Corporation.

The estimated cost of proposed construction, according to building permits issued in 100 cities in the Seventh district during August, totaled 15 per cent greater than in July, and was the first increase to be shown in the past four months. In the comparison with a year ago, however, a large decline—46 per cent—was registered. The number of permits issued in these cities displayed a similar trend, gaining 6 per cent over the preceding month, though totaling well below a year ago. Detroit and Milwaukee were the only two large cities that did not follow the trend of the district in the comparison with July in estimated valuation, declines of 28 and 24 per cent, respectively, having been reported. Indianapolis, with a gain of 55 per cent over last August, furnished an exception in the year-ago comparison.

Merchandising

August data on wholesale trade in this district present even less favorable conditions than prevailed during July. The gains of 8 and 26 per cent shown over the preceding month in the wholesale dry goods and shoe trades, respectively, were seasonal in nature and much smaller than usual for the month, while recessions of 7 per cent in groceries, 9 per cent in drugs, and 12 per cent in electrical supplies contrasted with increases in the average for August, and the decline of 13 per cent in hardware sales was considerably heavier than usual for the period. Consequently, comparisons with a year ago were noticeably more unfavorable than in July. In the first eight months of 1931, grocery sales totaled 10 per cent less than in the same period of 1930, hardware sales 24 per cent, dry goods 25, drugs 14, shoes 24, and electrical supplies 34 per cent smaller. Except in drugs, stocks on hand showed a slight tendency to increase and in groceries were larger than a year ago. Most lines continued to show increases in the ratio of accounts outstanding to net sales in both the monthly and year-to-year comparisons.

The expansion of 7 per cent for August over July in Seventh district department store trade compared with an average seasonal increase of 12 per cent. The total for Milwaukee firms showed a decline in the comparison, while that for Chicago recorded a 3 per cent increase over the preceding month, stores in Detroit sold a 9½ per cent larger dollar volume, those in Indianapolis 10 per cent more, and the total for smaller cities was 19 per cent

DEPARTMENT STORE TRADE IN AUGUST 1931

LOCALITY	PER CENT CHANGE AUGUST 1931 FROM AUGUST 1930		PER CENT CHANGE FIRST EIGHT MONTHS 1931 FROM SAME PERIOD 1930		RATIO OF AUGUST COL- LECTIONS TO ACCOUNTS OUTSTANDING JULY 31	
	NET SALES	STOCKS END OF MONTH	NET SALES		1931	1930
Chicago.....	-19.2	-11.6	-12.9		26.9	27.7
Detroit.....	-18.5	-21.2	-14.0		28.5	31.2
Indianapolis..	-9.7	-18.0	-6.9		38.4	36.4
Milwaukee....	-8.8	-7.7	-6.5		30.7	31.5
Other Cities..	-13.8	-15.7	-9.5			
7th District..	-16.5	-14.3	-11.6		30.6	31.7

greater. Year-ago comparisons may be noted in the table. A slight increase was shown in stocks between the end of July and the close of August, but the gain was less than usual for the season and inventories remained small as compared with recent years.

Retail shoe sales, as reported by dealers and department stores, declined slightly in August from July, and totaled 13 per cent below last August. For the year through August, sales were 10 per cent smaller than in the same period of 1930. Sales of furniture and house furnishings by reporting dealers and department stores totaled 18 per cent in excess of those a month previous, which expansion, however, is less than seasonal, and the dollar volume sold was 9 per cent smaller than a year

ago; installment sales by dealers gained 26 per cent and declined 16 per cent in the respective monthly and yearly comparisons. Stocks on hand remained small.

Sales of seventeen chains reporting to this bank totaled about the same in volume during August as in the preceding month and were 4 per cent under August 1930. Changes in the number of units were small, so that percentage changes in average sales per store were approximately the same as in aggregate sales. In the comparison with July, grocery, five-and-ten-cent store, musical instrument, and men's and women's clothing chains reported gains, with cigar, drug, and shoe sales showing declines, while as compared with a year ago, drug sales alone totaled larger.

MONTHLY BUSINESS INDICES COMPUTED BY FEDERAL RESERVE BANK OF CHICAGO

(Index numbers express a comparison of unit or dollar volume for the month indicated, using the monthly average for 1923-1924-1925 as a base, unless otherwise indicated. Where figures for latest month shown are partly estimated on basis of returns received to date, revisions will be given the following month. Data refer to the Seventh Federal Reserve district unless otherwise noted.)

	No. of Firms	Aug. 1931	July 1931	June 1931	May 1931	April 1931	March 1931	Aug. 1930	July 1930	June 1930	May 1930	April 1930	March 1930
Meat Packing—(U. S.)—													
Sales (in dollars).....	63	74	75	75	77	78	79	98	97	103	106	109	103
Casting Foundries—													
Shipments:													
Steel—In Dollars.....	15	23	25	29	38	39	44	57	61	68	81	92	86
In Tons.....	15	22	24	27	38	37	43	62	65	71	85	98	92
Malleable—In Dollars.....	23	21	22	27	33	34	35	32	35	50	63	70	72
In Tons.....	23	33	36	43	54	54	54	46	49	71	90	101	102
Stoves and Furnaces—													
Shipments (in dollars).....	11	80	63	65	84	94	77	110	96	89	101	111	96
Furniture—													
Orders (in dollars).....	25	45	35	55	39	51	58	61	80	46	64	61	68
Shipments (in dollars).....	25	42	42	33	48	57	62	67	54	56	64	69	82
Flour—													
Production (in bbls.).....	26	128	112	89	88	93	93	116	106	97	103	107	97
Output of Butter by Creameries—													
Production.....	67	115	127	157	148	110	91	115	131	155	157	104	88
Sales.....	69	117	123	149	127	104	89	111	120	135	129	101	92
Wholesale Trade—													
Net Sales (in dollars):													
Groceries.....	31	86	94	86	82	86	85	99	99	95	99	97	94
Hardware.....	14	50	58	63	62	71	55	66	70	74	89	84	82
Dry Goods.....	9	41	38	46	51	55	51	58	46	61	73	70	67
Drugs.....	14	75	78	81	79	87	86	88	89	92	99	101	100
Shoes.....	8	51	41	53	55	60	58	77	48	61	70	87	73
Retail Trade (Dept. Stores)—													
Net Sales (in dollars):													
Chicago.....	26	61	59	84	83	93	82	77	66	93	102	111	90
Detroit.....	5	78	71	101	109	126	109	97	80	115	139	153	119
Indianapolis.....	5	67	61	87	93	94	88	74	70	87	101	103	90
Milwaukee.....	5	73	75	95	99	112	93	80	75	95	116	117	95
Other Cities.....	50	70	59	82	89	97	79	81	68	87	100	104	90
Seventh District.....	91	67	63	88	91	102	88	81	70	96	110	117	96
Automobile Production (U. S.)—													
Passenger Cars.....		53	63	72	93	98	79	63	76	98	123	127	113
Trucks.....		84	91	107	121	133	120	107	115	129	156	189	174
Building Construction—													
Contracts Awarded (in dollars):													
Residential.....		27	20	26	30	36	52	37	42	45	67	77	56
Total.....		64	59	55	61	67	101	86	80	147	116	119	108
Iron and Steel—													
Pig Iron Production:*													
Illinois and Indiana.....		44	50	61	76	86	84	91	95	119	134	131	129
United States.....		42	48	56	66	69	67	83	87	100	106	108	107
Steel Ingot Production—(U. S.)*.....		50	54	60	72	79	86	88	84	103	111	119	123
Unfilled Orders U. S. Steel Corp.....		66	71	73	76	82	84	75	84	83	85	91	96

*Average daily production.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

(By the Federal Reserve Board)

VOLUME of industrial production and factory employment, which usually increases at this season, showed little change from July to August, and the Board's seasonally adjusted indexes consequently declined. The general level of wholesale prices remained in August at about the same level as in the two preceding months, but declined somewhat in the first three weeks of September.

PRODUCTION AND EMPLOYMENT

Industrial production, as measured by the Board's seasonally adjusted index, declined from 83 per cent of the 1923-1925 average in July to 80 per cent in August, which compares with the previous low level of 82 per cent for December, 1930. Output of steel, which ordinarily increases in August, declined further to 31 per cent of capacity, reflecting in part curtailment in automobile production; lumber output also decreased, contrary to seasonal tendency. Activity at textile mills and shoe factories showed about the usual seasonal changes, and production in these industries continued to be in substantially larger volume than a year ago. In the latter part of August, output of crude petroleum decreased 30 per cent, the reduction being in east Texas, following earlier curtailment in the Oklahoma fields; in the middle of September production increased somewhat. Volume of factory employment, which usually increases at this season, showed little change from the middle of July to the middle of August. The number employed in the clothing and shoe industries and in canning factories increased, while employment at steel mills, automobile plants, foundries, and carbuilding shops declined.

Value of building contracts awarded, as reported by the F. W. Dodge Corporation, continued to decline in August and for the first eight months of 1931 was 31 per cent less than in the corresponding period of 1930, reflecting decreases of 18 per cent in contracts for residential building, 30 per cent for public works and utilities, 54 per cent for factories, and 56 per cent for commercial building.

Department of Agriculture crop estimates, based on September 1 conditions, were about the same as estimates made a month earlier. High yields per acre and large crops were indicated for cotton, winter wheat, and tobacco, while crops of spring wheat and hay were expected to be unusually small, chiefly on account of dry weather. The corn crop was estimated at 2,715,000,000 bushels, 600,000,000 bushels larger than last year, but 50,000,000 bushels smaller than the five-year average.

DISTRIBUTION

Daily average freight carloadings declined somewhat in August, contrary to the seasonal movement, while department store sales increased, but by an amount slightly smaller than is usual in August.

PRICES

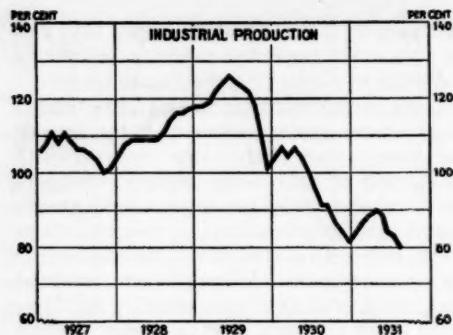
The general level of wholesale prices increased from 70.0 per cent of the 1926 average in June and July to 70.2 per cent in August, according to the Bureau of Labor Statistics, reflecting increases in the prices of live stock, meats, dairy products, and petroleum, offset in large part by decreases in the prices of grains, cotton, and cotton textiles. During the first three weeks of September, prices of live stock, meats, hides, and cotton declined, while prices of dairy products continued to increase.

BANK CREDIT

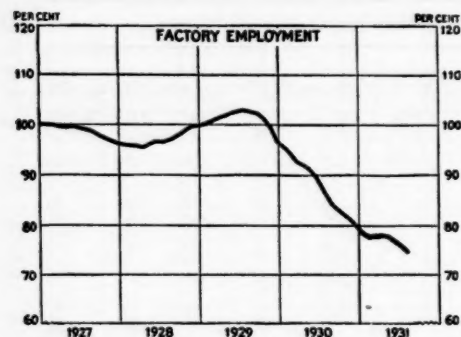
Volume of reserve bank credit, which had increased by \$240,000,000 during the month of August, increased further by \$70,000,000 in the first part of September, and in the week ending September 19, averaged \$1,265,000,000. The demand for the additional reserve bank credit arose chiefly from an increase of \$295,000,000 in the volume of currency outstanding; there were also further transfers to the reserve banks by foreign correspondents of funds previously employed in the acceptance market, offset in large part by a growth of \$60,000,000 in the country's stock of monetary gold. Following the suspension of the gold standard act by Great Britain more than \$100,000,000 in gold was added to the amount held by the Federal Reserve banks under earmark for foreign account, and there was a corresponding decrease in the country's stock of monetary gold.

Loans and investments of reporting member banks in leading cities, after declining in July and the first half of August, showed little change in the three-week period ending September 9. There was a further decline in loans on securities, while the banks' holdings of investments increased somewhat. In the following week, the banks added \$227,000,000 to their holdings of United States Government securities when an issue of \$800,000,000 of United States Government bonds was brought out, while holdings of other securities were reduced by \$40,000,000. Loans on securities continued to decline and all other loans were also reduced, contrary to the usual seasonal tendency.

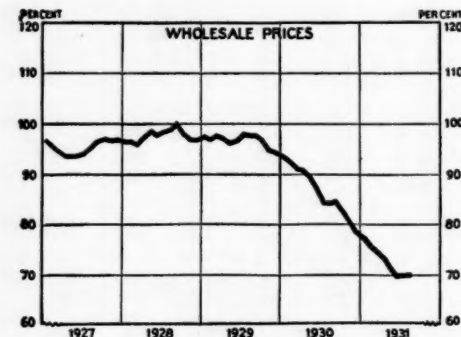
Money rates in the open market continued at a low level on September 22. The rate on bankers' acceptances advanced from $\frac{3}{4}$ of one per cent to one per cent. Yields on high grade bonds increased during the last half of August and the first part of September.



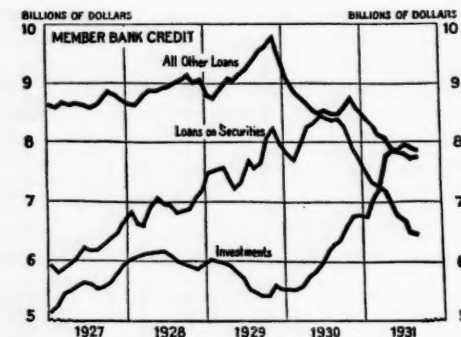
Index number of industrial production, adjusted for seasonal variation (1923-1925 average = 100).



Federal Reserve Board's index of factory employment with adjustment for seasonal variation (1923-1925 average = 100).



Index of United States Bureau of Labor Statistics (1926 = 100).



Monthly averages of weekly figures for reporting member banks in leading cities. Latest figures, averages of first three weeks in September, 1931.

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